

# 9M 2019 Investor Presentation

November 2019



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Backlog and new contract awards are non-IFRS metrics based on management's estimates of awarded, signed and ongoing contracts which have not yet been completed, and serve as an indication of total size of contracts to be executed. These figures and classifications are unaudited, have not been verified by a third party, and are based solely on management's estimates.

# Performance Highlights



Weakness in the construction business resulted in a net loss

## 9M 2019 vs 9M 2018

### Revenue

AED **5,830** mn

(18.5)% y-o-y compared to  
AED 7,152 mn in 9M'18

### EBIT

AED **(359)** mn

(232)% y-o-y compared to  
AED 271 mn in 9M'18

### Net Profit<sup>1</sup>

AED **(380)** mn

(310)% y-o-y compared to  
AED 181 mn in 9M'18

### Backlog

AED **13.5** bn

Pipeline of tender  
opportunities of AED 78 bn

Note:

1. Net profit attributable to parent

## Commentary

- Net loss to parent of AED 380 million for 9M 2019, includes loss recorded on associate of AED 56 mn.
- Net loss is attributed to Arabtec Construction due to:
  - Delays in handing over legacy projects associated with liquidity challenges of clients and supply chain - expect to handover majority of legacy projects by June 2020.
  - Decline in construction new work pipeline in UAE.
- Arabtec backlog remained steady despite decline in awards during 9M 2019.
- Industrial business, especially oil & gas, increased backlog reflective of strong pipeline.

# Performance Highlights (cont'd)

5 Construction and 2 Infrastructure & Industrial Projects awarded in 9M 2019



## 9M 2019 Key Project Awards



**MEP for Bu Hasa Oil Project**  
(Tecnicas Reunidas)  
**AED 315 million**



**Construction of Navin Minar, India**  
(Raheja Developers)  
**AED 219 million**



**Villas at Villanova, Dubai**  
(Dubai Properties)  
**AED 207 million**



**MEP for Wilton Park Residence**  
(Ellington Properties)  
**AED 192 million**

أرامكو السعودية  
Saudi Aramco



**Upgrade of Produced Water Disposal Facility at Qatif's GOSP-1, Saudi Arabia**  
(Saudi Aramco)  
**SAR 280 million**



**Public Realm Space in C38 District UAE**  
(Expo Dubai 2020 LLC)  
**SAR 169 million**



**Construction of The Fourteen Golf Residences, Uptown Cairo, Egypt**  
(Emaar Misr)  
**AED 110 million**



**Construction of Celesta Hills, Uptown Cairo, Egypt**  
(Emaar Misr)  
**AED 298 million**

# Strategic Priorities 2019

Stabilise the Group



## Strengthen the Balance Sheet

- Reduce debt
- Improve capital position
- Improve liquidity through effective working capital management and cash collection

## Improve Productivity

- Measures to increase workforce productivity
- Implement group level solution for manpower planning
- Increase internal subcontracting of workforce

## Stabilise the Construction Business

- Handover legacy projects
- Reorganise management team
- Right sizing the workforce
- Cost optimization

## Improve Efficiency

- Remove duplicated functions and activities through shared services and outsourcing
- Simplify and closely integrate the Group's operating structure
- Support international OPCOs through single support center

## Enhance Governance

- Complete roll-out of Business Standards across the Group
- Roll-out of policies and procedures to support business standards
- Continue harmonisation of internal control systems
- Establish risk management processes
- Establish group-wide compliance framework
- Implement Oracle Fusion across the group

## Diversify & Selective Growth

- Diversify backlog towards industrial and infrastructure projects; actively pursuing opportunities
- Grow capabilities in MEP, EPCM, infrastructure and special construction
- Selectively pursue opportunities outside the UAE (i.e. Egypt)
- Achieve target work winning rate
- Develop framework & competency to offer other funding solutions for Government projects

# Income Statement



Lower revenue impacted by decline in construction business revenue

Income Statement Summary (AED mn)	Sept 2019 9 months	Sept 2018 9 months	Variance
Revenue	5,830	7,152	(18)%
EBIT	(359)	271	(232)%
Margin (%)	(6.2%)	3.8%	(995) bps
Net Profit for the period	(442)	183	(342)%
Margin (%)	(7.6%)	2.6%	(1013) bps
Net Profit attributable to the owners of the parent	(380)	181	(310)%
Margin (%)	(6.5%)	2.5%	(903) bps

\* bps: basis points

## Commentary

- Arabtec net loss is attributable to Arabtec Construction (one of the Group's subsidiaries), mainly due to delays in handing over legacy projects, along with the continued decline of the real estate and construction sector.
- Key challenges have been project funding, regional geopolitical factors and tight liquidity in the construction sector.
- The Group's other subsidiaries continued to be profitable. The Group's industrial business, specifically oil and gas, has increased its backlog, reflecting the strong pipeline of opportunities.

# Balance Sheet

Total debt decreased by AED 341 mn in 9M 2019

Balance Sheet AED mn	Sept 2019	Decembe r 2018		Sept 2019	Decembe r 2018
<b>ASSETS</b>			<b>EQUITY AND LIABILITIES</b>		
<b>Non-current assets</b>			<b>Equity</b>		
Property, plant and equipment	528	639	Share capital	1,500	1,500
Right to Use Assets	124	-	Other reserves	(39)	(29)
Goodwill	249	249	Retained earnings	(274)	190
Investment properties	594	595	<b>Equity attributable to equity holders of Parent</b>	<b>1,187</b>	<b>1,661</b>
Trade and other receivables	248	537	Non-controlling interests	(332)	(258)
Adv. paid to suppliers & subcontractors	311	280	<b>Total equity</b>	<b>856</b>	<b>1,402</b>
Investment in associates	154	209	<b>Non-current liabilities</b>		
Other non-current assets	36	39	Bank borrowings	552	560
<b>Total non-current assets</b>	<b>2,243</b>	<b>2,548</b>	Other non-current Liabilities	306	216
			Retention payable	441	361
<b>Current assets</b>			<b>Total non-current liabilities</b>	<b>1,299</b>	<b>1,137</b>
Inventories	133	131	<b>Current liabilities</b>		
Trade and other receivables	2,306	2,396	Bank borrowings	1,163	1,497
Due from customers on construction contracts	2,759	2,642	Trade and other payables	4,866	4,675
Adv. paid to suppliers & subcontractors	1,303	978	Due to customers on construction contracts	635	66
Other financial assets	110	206	Adv. received from customers for contract work	1,541	1,757
Due from related parties	544	576	Due to related parties	431	487
Other current assets	612	289	Other current liabilities	22	13
Cash and bank balances	802	1,270	<b>Total current liabilities</b>	<b>8,658</b>	<b>8,496</b>
<b>Total current assets</b>	<b>8,570</b>	<b>8,487</b>	<b>Total liabilities</b>	<b>9,957</b>	<b>9,633</b>
<b>Total Assets</b>	<b>10,813</b>	<b>11,035</b>	<b>Total Equities and Liabilities</b>	<b>10,813</b>	<b>11,035</b>

- Total debt reduction of AED 341 mn in 9M 2019
- Total debt to equity ratio improved from 1.1x in Q1 2019 to 1.0x in Q2 2019, deterioration to 1.45 x in 3Q 2019
- Net debt to equity ratio improved from 0.58x in Q1 2019 to 0.56x in Q2 2019, deterioration to 1.07x in 3Q 2019
- Current ratio at 1.0x as 3Q 2019 vs. 1.00x at 4Q 2018

# Receivables Analysis

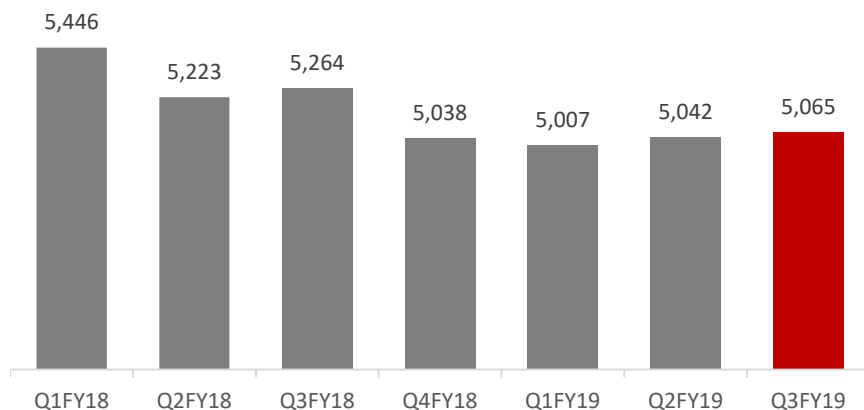
Continued emphasis on cash collection and optimizing of payment cycles



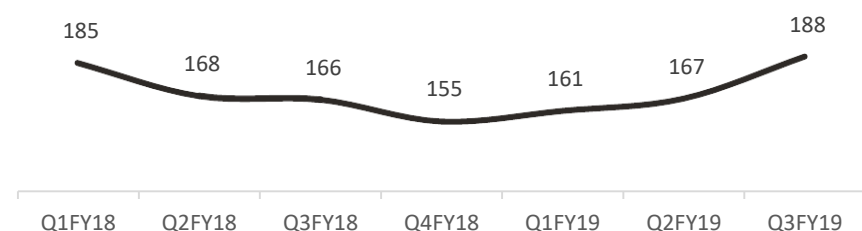
Current Receivables (AED mn)	Q1 2018 31 Mar	Q2 2018 30 Jun	Q3 2018 30 Sep	Q4 2018 31 Dec	Q1 2019 31 Mar	Q2 2019 30 Jun	Q3 2019 30 Sep	Change (vs Q2 2019)
Contract receivables <sup>(1)</sup>	1,869	1,822	1,762	1,831	1,710	1,811	1,981	170
Amounts due from customers for contractwork <sup>(2)</sup>	3,199	2,969	3,058	2,642	2,775	2,792	2,759	(33)
Trade and other receivables	55	50	51	55	98	51	45	(6)
Provision for doubtful debts	(377)	(371)	(338)	(335)	(418)	(425)	(448)	(23)
<b>Total (excluding retentions)</b>	<b>4,745</b>	<b>4,471</b>	<b>4,532</b>	<b>4,194</b>	<b>4,165</b>	<b>4,230</b>	<b>4,337</b>	<b>107</b>
Retentions receivable	701	753	731	844	843	812	728	(84)
<b>Trade &amp; other receivables - Current</b>	<b>5,446</b>	<b>5,223</b>	<b>5,264</b>	<b>5,038</b>	<b>5,007</b>	<b>5,042</b>	<b>5,065</b>	<b>23</b>
<b>Advances paid to suppliers &amp; sub contractors</b>	<b>1,284</b>	<b>1,022</b>	<b>1,057</b>	<b>978</b>	<b>1,090</b>	<b>964</b>	<b>1,303</b>	<b>339</b>

1. Revenue certified and payable by clients
2. Work completed including a. billed but not certified and b. unbilled

## Current Receivables (AED mn)



## Debtor Days



- Impacted by reduction in revenue – Overall receivables is stable since Q3 2018
- Debtor days is calculated based on rolling 12 months actual revenue and excluding retentions



# Cashflow Statement

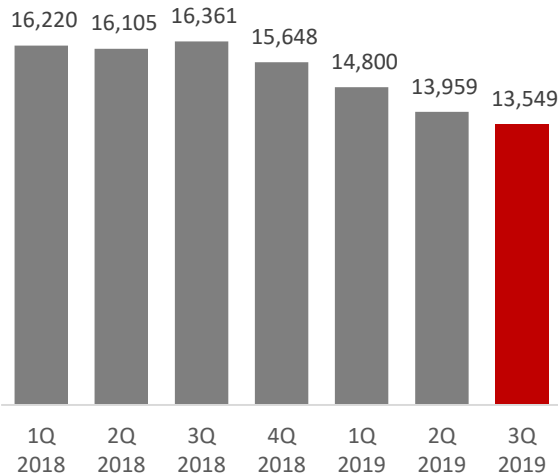
Efficient working capital management helped to offset lower operating cashflows



<b>Cash Flow Statement Summary</b> (AED mn)	<b>September 2019</b> 9 months	<b>September 2018</b> 9 months	<b>Variance</b>
Cash flow from operations before working capital changes	(208)	416	(624)
Change in working capital	149	(170)	319
Others	(34)	(45)	12
<b>Cash from (used in) operating activities</b>	<b>(92)</b>	<b>201</b>	<b>(293)</b>
<b>Cash from (used in) investing activities</b>	<b>159</b>	<b>(36)</b>	<b>195</b>
<b>Cash from (used in) financing activities</b>	<b>(635)</b>	<b>(467)</b>	<b>(168)</b>
<b>Net decrease in cash</b>	<b>(569)</b>	<b>(302)</b>	<b>(266)</b>
Cash at the beginning of the period	875	501	374
Net foreign exchange difference	(15)	(8)	(7)
<b>Cash at the end of the period</b>	<b>291</b>	<b>191</b>	<b>101</b>

• Cash at end of period comprises bank balances and cash net of bank overdrafts and deposits

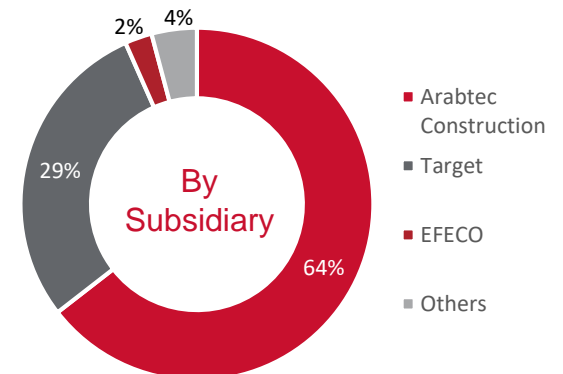
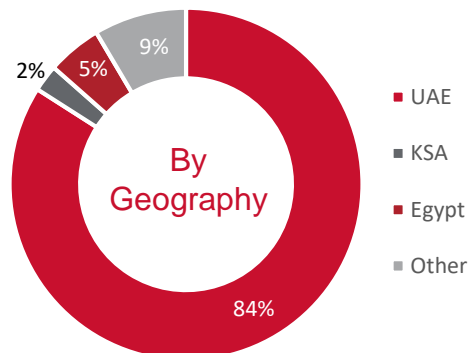
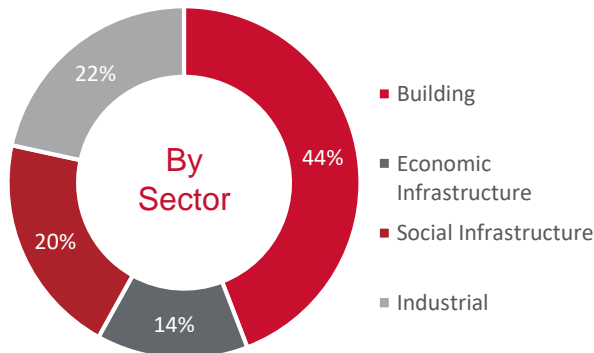
## Backlog (AED mn)



## Major Wins\* (YTD 2019)

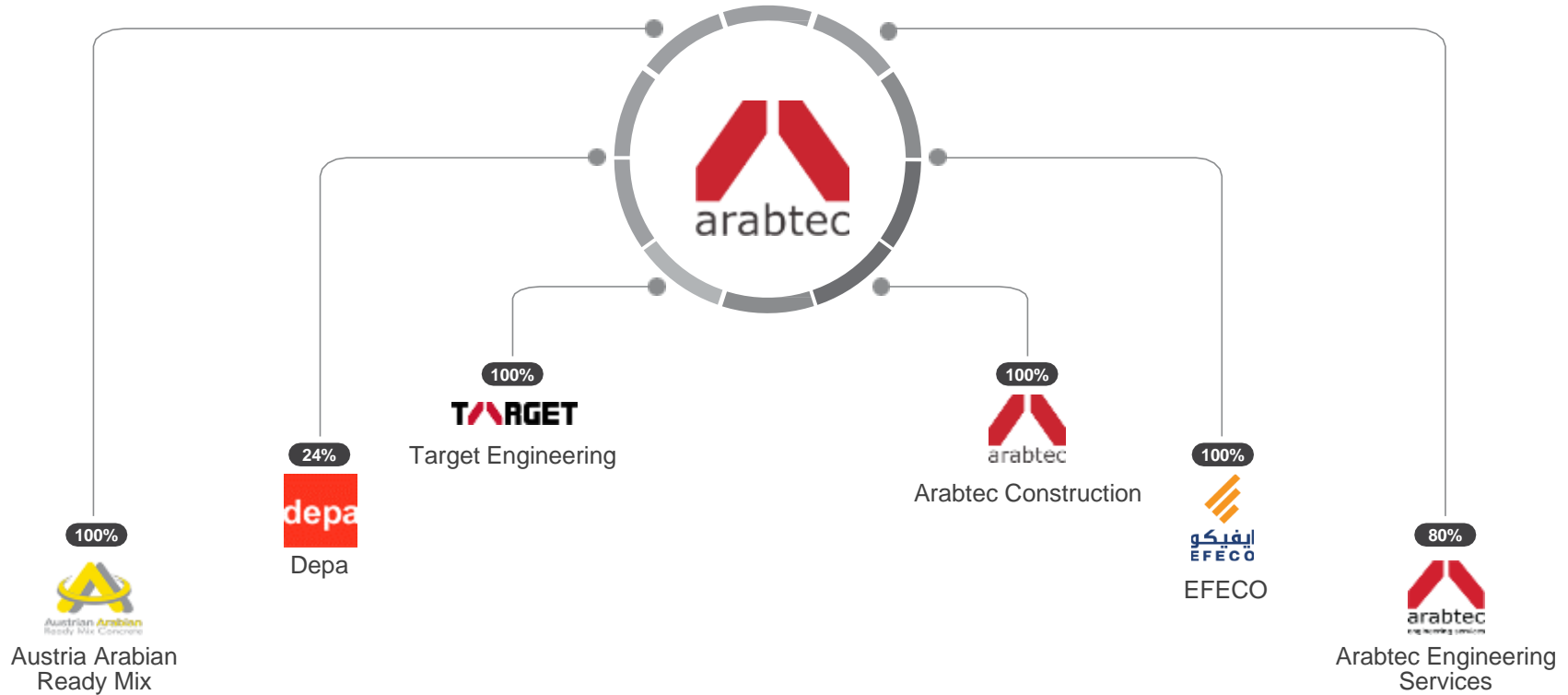
Major Wins	Subsidiary	AED mn	Client	Description
Bu-Hasa integrated field development	Target	315	Tecnicas Reunidas	General construction and expansion of the existing Bu Hasa oil pad hubs, the gas lift phase II and the produced water re-injection phase I and II.
Wilton Park Residence project	Target	192	Ellington Properties	construction, MEP, landscaping and irrigation works for the 12 storey residential twin towers in Al Merkadh, Dubai.
Navin Minar development	ATC	219	Raheja Developers	Construction of 42 storey residential tower with 4 basements and landscaping, utilities, swimming pools, community facilities and 15 community housing towers in India.
Amaranta project in Villanova	ATC	207	Dubai Properties	Construction of 322 villas in its Amaranta project in Villanova, Dubai.
Public Realm Space in C38 District	ATC	169	Expo Dubai 2020 LLC	Construction of 29,000 m2 of public spaces including a 5,000 m2 iconic water feature, restaurants and utilities with associated landscaping and water feature elements.
Celesta Hills	ATC	298	Emaar Misr	Construction of Celesta Hills; phases 2 and 3 comprising 179 units and external works.
Uptown Cairo	ATC	110	Emaar Misr	Construction of The Fourteen Golf Residences Phase 1 comprising 270 residential apartments.
Qatif's gas oil separation plant (GOSP-1)	Target	280	Saudi Aramco	Upgrade of a produced water disposal facility at GOSP-1 in Eastern Province, Saudi Arabia.

\* Excludes variations and contract wins less than AED 100 mn



# Integrated Capabilities

Delivering a competitive advantage to the group



## Core Competencies



Economic Infrastructure



Residential



Hospitality



Social Infrastructure



Commercial



Industrial

### Construction

- Construction business remains challenging and no improvement in the UAE construction business is expected in the foreseeable future.
- Arabtec strongly focused on handing over the remaining legacy projects. Many projects are in final testing and commissioning stage and expectation is to progressively hand over most projects by mid 2020.
- Nevertheless, closing of legacy projects remains strongly dependent on volatile market conditions.
- Meanwhile, selectively evaluating opportunities outside the UAE ( i.e. Egypt).

### Infrastructure & Industrial

- Infrastructure and industrial businesses, particularly in the oil & gas sector, are healthy.
- Projects are more strategic and long-term by nature.
- Arabtec expected to grow its capabilities and focus operational performance in these businesses.

### Market Outlook

- Geographically, Saudi Arabia, the UAE and Egypt offer markets with the most potential for growth. Iraq presents potential for growth, but also a significant degree of risk.
- Government-backed investment in downstream industrial clusters around steel, aluminum and petrochemicals is expected to continue.
- The energy sector will see an investment drive over the coming years as governments seek to develop upstream oil and gas production capacity, and higher-value petrochemicals and refined oil products.
- Demand for power will continue to grow as governments push ahead with industrial diversification programs, with increasing levels of renewable energy capacity to be installed.



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**Arabtec Holding PJSC**

1st Floor Low Rise IPIC Building,  
Sultan Bin Zayed the First Street  
(Al Muroor Road),

Tel : +971 2 333 7777

Fax : +971 2 333 7711

[www.arabtecholding.com](http://www.arabtecholding.com)